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STURGEON PETROLEUMS LTD.

212 SEVENTH AVENUE S.W.
CALGARY 2, ALBERTA

1969 Annual Report

DIRECTORS

JOHN J. FITZPATRICK, JR., *Calgary, Alta.* JOHN B. BALLEM, *Calgary, Alta.*
FRANCIS W. FITZPATRICK, *Montreal, P.Q.* HARRY A. IRVING, *Calgary, Alta.*
J. MAIR, *Calgary, Alta.*

OFFICERS

JOHN J. FITZPATRICK, JR. *President*
JOHN B. BALLEM *Vice-President*
J. MAIR *Secretary-Treasurer*

AUDITORS

PURDY, GILES, WYLLIE & Co. *Calgary, Alberta*

COUNSEL

BALLEM, MCDILL, MACINNES & EDEN *Calgary, Alberta*

BANKERS

THE ROYAL BANK OF CANADA

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY *Calgary, Alberta*

LISTINGS

CALGARY STOCK EXCHANGE
CANADIAN STOCK EXCHANGE

STURGEON PETROLEUMS LTD.
AND ITS WHOLLY OWNED SUBSIDIARY

PRESIDENT'S REPORT

During the year 500,000 shares were underwritten for investment purposes netting the treasury \$100,000.00.

An interest in the Westlock gas producing unit was acquired during the latter part of the year for \$42,000.00. Net income from this property has varied up to \$5,000.00 per month.

Five wells are being drilled on or within one mile of acreage in N.W. Alberta on which we hold gross overriding royalties. These tests are being made at no cost to your company.

Subject to the approval of the normal regulatory bodies we have recently exchanged our stock position in Wespac Petroleum Ltd. for varying interests in 5½ million acres of oil, gas and mining permits in the Arctic Islands, Cook Inlet area of Alaska, North West Territories, Yukon, Alberta, British Columbia, and Saskatchewan. Independent consulting geologists have valued these lands at \$890,000.00. As our cost for this stock position was \$175,000.00, a profit of \$715,000.00 was realized.

Your company now owns a 35% working interest in 15,000 acres of mineral permits in the Wollaston Lake area of Northern Saskatchewan. Airborne geophysical survey now completed on this land have indicated 21 anomalies. Further evaluation and exploration will be completed this year.

ON BEHALF OF THE BOARD OF DIRECTORS,

JOHN J. FITZPATRICK JR.,
President.

Calgary, Alberta.
March 15th, 1970.

Auditors' Report

TO THE SHAREHOLDERS OF
STURGEON PETROLEUMS LTD.:

We have examined the consolidated balance sheet of Sturgeon Petroleum Ltd. and its wholly owned subsidiary as at September 30, 1969 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Sturgeon Petroleum Ltd. and its wholly owned subsidiary as at September 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

March 10, 1970

STURGEON PETROLEUMS LTD.
AND ITS WHOLLY OWNED SUBSIDIARY

Consolidated Statement Of Income And Deficit

FOR THE YEAR ENDED SEPTEMBER 30, 1969

(with 1968 figures for comparison)

	1969	1968
ROYALTY INCOME	\$ 10,072	\$ —
GENERAL AND ADMINISTRATIVE EXPENSES:		
Bank charges and interest	599	302
Management fees (Note 4)	5,400	1,200
Legal and audit	3,309	1,656
Registrar and transfer agent's fees	1,159	1,861
General	1,305	814
Consultant fees	852	745
Depreciation and depletion	3,064	—
Lease rentals	176	—
Travel	1,352	—
Promotion	100	—
Total expenses	17,316	6,578
LOSS FROM OPERATIONS	(7,244)	(6,578)
OTHER INCOME:		
Interest income	2,900	—
Gain on sale of investments	10,041	—
Total other income	12,941	—
NET INCOME BEFORE THE FOLLOWING	5,697	(6,578)
OTHER CHARGES:		
Mining claims abandoned	—	1,976
Undeveloped leases surrendered	—	500
Total other charges	—	2,476
NET INCOME (LOSS) FOR THE YEAR	5,697	(9,054)
DEFICIT AT BEGINNING OF THE YEAR	444,686	435,632
DEFICIT AT END OF THE YEAR	\$438,989	\$444,686

CONSOLIDATED BALANCE SHEET

(with 1968 figures restated)

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash	\$ 61,452	\$ 304
Accounts receivable	459	—
Due from affiliated companies	16,593	16,500
Prepaid lease rentals	1,230	—
Total current assets	<u>79,734</u>	<u>16,804</u>
 SPECIAL REFUNDABLE TAX	 2,456	 2,456
 INVESTMENTS — at cost (quoted market value \$188,510 in 1969, \$134,951 in 1968)	 183,634	 194,680
 PROPERTY AND EQUIPMENT:		
Interest in petroleum and natural gas leases and rights:		
Developed properties	42,609	—
Undeveloped properties	53,566	41,119
Production and office equipment	80	80
	<u>96,255</u>	<u>41,199</u>
 Less accumulated depreciation and depletion (Note 2)	 3,079	 16
Net property and equipment	<u>93,176</u>	<u>41,183</u>
 ORGANIZATION EXPENSES	 393	 393
	<u>359,393</u>	<u>255,516</u>

APPROVED BY THE BOARD:

JOHN J. FITZPATRICK JR., *Director*

J. MAIR, *Director*

The accompanying notes are an integral part of these financial statements.

OLEUMS LTD.

NED SUBSIDIARY

ET as at September 30, 1969

(comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES:		
Accounts payable	\$ 3,031	\$ 2,395
Taxes	—	2,456
Total current liabilities	<u>3,031</u>	<u>4,851</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized — 5,000,000 shares of no par value		
Issued and fully paid — 3,344,075 shares in 1969 (Note 3)	752,513	652,513
Contributed surplus arising from disposition of donated shares	42,838	42,838
Deficit	(438,989)	(444,686)
Net shareholders' equity	<u>356,362</u>	<u>250,665</u>
	<u>\$359,393</u>	<u>\$255,516</u>

part of the financial statements.

STURGEON PETROLEUMS LTD.
AND ITS WHOLLY OWNED SUBSIDIARY

Consolidated Statement Of Source And Application Of Funds

SEPTEMBER 30, 1969

(with 1968 figures for comparison)

	1969	1968
FUNDS PROVIDED:		
Net income for the year	\$ 5,697	\$ —
Items not affecting funds flow —		
Add depreciation and depletion	3,064	—
	8,761	—
Less gain on sale of investments	10,041	—
	(1,280)	—
Proceeds from sale of investments	86,221	23,900
Proceeds from sale of shares	100,000	—
	184,941	23,900
FUNDS APPLIED:		
Net loss for the year	—	9,054
Items not affecting funds flow —		
Less—mining claims abandoned	—	1,976
—undeveloped leases surrendered	—	500
	—	6,578
Purchase of interest in petroleum and natural gas properties	55,056	—
Purchase of investments	65,135	—
Special refundable tax	—	453
Well abandonment costs	—	113
	120,191	7,144
INCREASE IN NET WORKING CAPITAL	64,750	16,756
WORKING CAPITAL AT BEGINNING OF THE YEAR	11,953	(4,803)
WORKING CAPITAL AT END OF THE YEAR	\$ 76,703	\$ 11,953

STURGEON PETROLEUMS LTD.
AND ITS WHOLLY OWNED SUBSIDIARY

Notes To Consolidated Financial Statements

SEPTEMBER 30, 1969

1. The accompanying statements include the accounts of Sturgeon Petroleum Ltd. and its wholly owned subsidiary Northern Securities Ltd. The subsidiary company did not operate during the year.
2. It is the company's practice to provide depletion in the accounts on a unit of production basis.
3. During the year the company sold 200,000 shares for a cash consideration of 50 cents per share.
4. Management fees paid to an affiliated company during the year amounted to \$5,400.00. No direct remuneration was paid to officers and directors during the year.

INFORMATION CIRCULAR**Solicitation of Proxies**

This information circular is furnished in connection with the solicitation by the Management of Sturgeon Petroleum Limited (the Company) of proxies to be used in the annual meeting of shareholders of the Company to be held at the time and place and for the purpose set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by striking out the printed names and inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A Shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, it is intended that such shares will be voted for the approval of the annual report and financial statements, for the appointment of auditors as stated under that heading in this circular, for the approval, ratification, adoption and confirmation of the acts, by-laws and proceedings of the directors and officers of the Company referred to in the notice of the said meeting and for the election of directors as stated under that heading in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares

On the date of the accompanying notice of meeting the company had outstanding 3,344,075 shares with no par value each carrying the right to one vote per share, so that the aggregate number of votes attached to all the outstanding shares is 3,344,075. The directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company except the following:

<u>Name</u>	<u>No. of Shares</u>	<u>Percent</u>
John J. Fitzpatrick Jr.	1,950,000	60.6

The directors have fixed March 18, 1970 as the record date for the determination of the persons entitled to receive notice of and to attend and vote at the meeting.

Election of Directors

The board consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below. All are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is otherwise duly elected or appointed in accordance with the by-laws of the company.

The following table and the notes thereto set out the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them as of the date of the accompanying notice of meeting.

<u>Name and Offices</u>	<u>Principal Occupation during the last five years</u>	<u>Became Director</u>	<u>Shares Owned</u>
John J. Fitzpatrick, Jr., President and Director	Manager, President of Sturgeon Petroleum Limited and Northwestern Oil Management Ltd.	1965	1,950,000
John B. Ballem Vice-President and Director	Lawyer, partner of Ballem, McDill, MacInnes & Eden and its predecessor firms.	1965	1
J. Mair Secretary-Treasurer and Director	Accountant.	1967	1
Harry A. Irving Director	Industrialist, President of Irving Industries Ltd.	1965	1
F. W. Fitzpatrick Director	Executive, Cel-Cil Fibers Ltd., and associated companies.	1965	17,500

Remuneration of Management and Others

- (1) Aggregate direct remuneration paid or payable by the Company for the period ending September 30, 1969 to the directors and senior officers of the Company None
- (2) Estimated aggregate cost to the Company for the period ending September 30, 1968 of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age None
- (3) Maximum annual aggregate of all retirement allowances proposed to be paid in future by the Company, pursuant to existing arrangements, to directors or senior officers of the Company (excluding payments under plans referred to in paragraph (2) and payments to be made for or benefits to be received from group life or accidental insurance, group hospitalization or similar group benefits or payments None
- (4) No options, warrants or rights to purchase any shares or convertible securities of the Company have been granted to or exercised by any person since the commencement of the Company's last completed financial year.
- (5) Management fee \$5,400

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Purdy, Giles, Wyllie & Co., Chartered Accountants, Calgary, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Purdy, Giles, Wyllie & Co., have been auditors of the Company since April, 1967.

STURGEON PETROLEUMS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual meeting of the shareholders of STURGEON PETROLEUMS LIMITED will be held at the offices of the Company, 212 - 7th Avenue S.W., Calgary, Alberta, on Tuesday, March 31, 1970 at the hour of 10:00 o'clock in the forenoon, Calgary Time, for the following purposes:

- (a) To receive and consider the annual report and the financial statements for the period ended September 30, 1969, and the report of the auditors thereon;
- (b) to appoint auditors and to authorize the directors to fix their remuneration;
- (c) to approve, ratify, adopt and confirm all acts, by-laws and proceedings of the directors and officers of the Company since the last annual meeting of shareholders which are referred to in the annual report and in the minutes of the meetings of the board of directors of the Company, which minutes and proceedings are available at the office of the Company at Calgary for inspection by any shareholder in usual business hours;
- (d) to elect directors; and
- (e) to transact such other business as may properly come before the meeting or any adjournment thereof.

A copy of the annual report and of an information circular accompany this notice.

Shareholders who are unable to attend the meeting in person are requested to complete and return the enclosed form of proxy.

DATED at Calgary, this 15th day of March, 1970.

By Order of the Board of Directors,
J. MAIR,
Secretary.

STURGEON PETROLEUMS LIMITED

PROXY, SOLICITED BY MANAGEMENT FOR ANNUAL MEETING OF SHAREHOLDERS IN 1970

The undersigned hereby appoints John J. Fitzpatrick Jr., President, or failing him, J. Mair, Secretary, or _____, as the proxy of the undersigned to attend, vote and act for and on behalf and in the name of the undersigned at the Annual General Meeting of Shareholders of the Company to be held at Calgary, Alberta, on Tuesday, the 31st day of March, 1970 and at any adjournment thereof, respectively with the power of substitution and with all the powers which the undersigned could exercise if personally present with authority to vote at the said proxy's discretion, unless herein otherwise specified.

The said proxy is specifically directed at the Annual General Meeting to vote:

FOR ☐ AGAINST ☐ the approval of the Directors' Report and the financial statements.

DATED this _____ day of _____, 1970.

**Signature of Shareholder*

*Please sign exactly as shares are registered. If the shareholder is a corporation, the proxy should be signed on its behalf by its duly authorized officer or officers.

